

February 12, 2014

VIA EMAIL

RE: DCRB Workers Compensation Rate Filing 1305

Dear Members of the Workers Compensation Task Force:

Thank you for your February 11 letter and especially for your ongoing efforts to address the problem of increasing workers compensation insurance rates in Delaware.

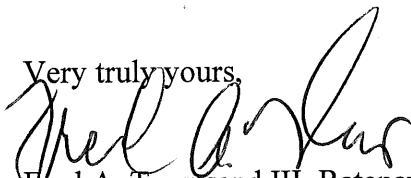
Let me begin with an assurance that the DCRB has not been permitted to benefit from any perceived failure to produce data necessary to complete a thorough evaluation of rate filing 1305. I can confirm that the Ratepayer Advocate's expert actuary has had access to the data necessary to review the rate filing. We worked with the Insurance Department to obtain the most current medical cost data in order to make full use of it consistent with appropriate ratemaking procedures. Furthermore, the hearing process as dictated by our hearing officer, Judge Joshua W. Martin III allows sufficient time to make proper use of that information. The hearing process also provides the opportunity for the parties to contest and rebut the written testimony of the respective experts with additional written submissions currently due to be filed later this month.

As the Ratepayer Advocate, I also wish to reassure you that my foremost concern is the best interests of Delaware's ratepayers and I will carry out the statutory mandate "to represent the interests of Delaware workers compensation rate-payers during the Commissioner's consideration of the application" in a vigorous manner. Stated more directly, I am committed to achieving an outcome in these proceedings that produces the lowest reasonable workers compensation insurance rates.

As acknowledged by Judge Martin, efforts to resolve this conflict through an agreement have commenced. Generally speaking, there are benefits to resolving a dispute through an agreement as opposed to assuming the risk of various potential litigation outcomes, some of which could result in policyholders paying higher premiums than those that might be reached through a settlement. If an agreement is to be reached, my goal is to achieve the best possible result for Delaware's ratepayers that can be reasonably expected taking into account all the relevant information available to me.

Once again, thank you for your many contributions on behalf of Delaware's ratepayers.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fred A. Townsend III", written over the typed name.

Fred A. Townsend III, Ratepayer Advocate